

Message Text

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S E C R E T SECTION 1 OF 6 USNATO 0897

E.O. 11652: GDS

TAGS: PFOR, MILI, NATO, OR, XF, XG, XI

SUBJ: NATO STUDY ON THE IMPLICATIONS OF REOPENING THE SUEZ CANAL

REF: A) USNATO 681; B) USNATO 659; C) USNATO 658

1. HERewith TEXT OF FIRST 19 PAGES OF INTERNATIONAL SECRETARIAT'S DRAFT REPORT ON THE IMPLICATIONS OF SUEZ REOPENING. BALANCE OF DRAFT CONSISTS OF TWO ANNEXES INCLUDING MAPS, STATISTICAL DATA AND CONSIDERABLE TEXTURAL MATERIAL WHICH MISSION WILL REPORT SEPARATELY. POLADS ARE REQUESTED TO ADDRESS INSTRUCTED REMARKS TO THIS DRAFT AT AN EXTRAORDINARY MEETING ON FEB 21.

2. ACTION: REQUEST DEPARTMENT COMMENTS, IF THAT IS POSSIBLE, IN TIME FOR FEB 21 POLADS.

3. BEGIN TEXT:

ISD/106(REVISED)

THE IMISCOONS OF THE REOPENING OF THE SUEZ CANAL

I. INTRODUCTION

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LAYOUT

IN THIS PAPER, THE IMPLICATIONS OF THE REOPENING OF THE SUEZ CANAL ARE CONSIDERED FROM TWO STANDPOINTS. FIRST, AN ATTEMPT IS MADE TO ESTABLISH HOW FAR THE CANAL'S REOPENING

WILL ASSIST SOVIET PENETRATION EAST OF SUEZ. SECONDLY, THE GENERAL ECONOMIC REPERCUSSIONS ARE REVIEWED. THE AREA UNDER CONSIDERATION COMPRISES THE INDIAN OCEAN AND ITS APPROACHES (RED SEA AND PERSIAN GULF), TOGETHER WITH THE LITTORAL COUNTRIES (SEE CHARTS AT ANNEX I). AFTER A SHORT INTRODUCTION, THE REPORT FALLS INTO THREE PARTS. THE FIRST PART TAKES STOCK OF THE FACTS. THE SECOND PART ASSESSES ON THIS BASIS MOSCOW'S POLITICO-STRATEGIC INTENTIONS AND THE ECONOMIC IMPLICATIONS OF REOPENING THE CANAL. THE THIRD PART - CONCLUSIONS - PINPOINTS THE MAIN FACTORS AFFECTING THE EAST-EST BALANCE OF FORCES(#).

2. PROSPECTS FOR THE REOPENING OF THE SUEZ CANAL

(A) TECHNOLOGICAL: IT IS TECHNOLOGICALLY FEASIBLE TO REOPEN THE CANAL IN THE SECOND HALF OF 1975, THE DIMENSIONS BEING THE SAME AS IN 1967 (MAXIMUM DRAUGHT 38 FT). PLANS HAVE BEEN MADE TO INCREASE THE CANAL'S DEPTH (1)(##).

(B) POLITICAL: IRRESPECTIVE OF THE TECHNOLOGICAL FEASIBILITY OF REOPENING THE CANAL, THE EGYPTIAN GOVERNMENT MAY WISH TO STIPULATE CERTAIN POLITICAL PRE-CONDITIONS IN THE CONTEXT OF AN ARAB-ISRAELI SETTLEMENT. CAIRO REGARDS THE CANAL AS A MAJOR BARGAINING-COUNTER. IN NOVEMBER 1974, THE EGYPTIAN FOREIGN MINISTER, MR. FAHMI, MADE A STATEMENT (REITERATED BY PRESIDENT SADAT IN JANUARY 1975) TO THE EFFECT THAT THE CANAL WOULD NOT BE REOPENED TO INTERNATIONAL TRAFFIC UNTIL THERE HAD BEEN A SUBSTANTIAL WITHDRAWAL OF ISRAELI FORCES IN SINAI SO THAT THE WATERWAY COULD BE REGARDED AS SAFE (2).

(#) TO MAKE FOR EASIER READING, DETAILS AND TECHNICAL DATA ARE APPENDED AT ANNEX II.

(##) REFERENCES TO ANNEX II WILL HENCEFORTH BE GIVEN IN NUMERICAL SEQUENCE.

II. FACTS

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A. SOVIET PENETRATION IN THE INDIAN OCEAN AND ADJACENT AREAS (A) NAVAL ACTIVITIES OF THE USSR

3. THE SITUATION THAT WILL ARISE AS A RESULT OF THE REOPENING OF THE CANAL SHOULD BE CONSIDERED IN THE LIGHT OF THE CONTINUING GROWTH IN SOVIET NAVAL CAPABILITY.

4. CHANGE IN SOVIET NAVAL DOCTRINE: OVER THE PAST 15 YEARS, THERE HAS BEEN A RADICAL CHANGE IN THE USSR'S STRATEGIC NAVAL DOCTRINE. HETHERTO, IT WAS AN ACCEPTED FACT THAT THE SOVIET NAVY HAD NO MISSIONS TO PERFORM ON THE HIGH SEAS, NAVAL UNITS BEING ASSIGNED TO COASTAL DEFENCE DUTIES IN SUPPORT OF GROUND FORCES. SINCE THE EARLY 1960S, HOWEVER, RUSSIA HAS DONE

ITS UTMOST TO BECOME A WORLD-WIDE NAVAL POWER AND, TO THIS END, ITS NAVY HAS BEEN GIVEN OFFENSIVE CAPABILITIES. IN ORDER TO OVERCOME THE DISADVANTAGES OF ITS GEO-STRATEGIC POSITION (CLIMATIC CONDITIONS, ICE-BOUND PORTS, ETC.), THE SOVIET UNION HAS DEPLOYED NAVAL UNITS EVERYWHERE ON THE SEVEN SEAS. THE SOVIET NAVY'S NEW ROLE AS AN EFFECTIVE INSTRUMENT FOR SUPPORTING MOSCOW'S GLOBAL POLICY AND STRATEGY THROUGHOUT THE WORLD HAS REPEATEDLY BEEN MENTIONED, AMONG OTHERS, BY ITS COMMANDER-IN-CHIEF, ADMIRAL GORCHKOV (3).

5. MODERNIZATION OF THE SOVIET FLEET: THE RESULT IS A NAVY OF GROWING CAPABILITIES FOR DISTANT OPERATIONS. THE SIZE OF THE SOVIET NAVY, IN TERMS OF SURFACE COMBATANTS, WILL PROBABLY REMAIN ABOUT CONSTANT OVER THE NEXT FEW YEARS. THE USSR IS INVESTING IN MODERN SHIPS AND IMPROVING THE CAPABILITIES OF RECENTLY CONSTRUCTED ONES. AT THE SAME TIME IT IS RETIRING OLDER VESSELS AT ABOUT THE SAME RATE AS IT COMMISSIONS NEW ONES. NOTABLE ASPECTS OF THIS MODERNIZATION PROGRAMME ARE THE RECENT COMMISSIONING OF TWO 20,000 TON HELICOPTER-CARRIERS, THE "LENINGRAD" AND THE "MOSKVA", AND - AN EVEN MORE SIGNIFICANT DEVELOPMENT IN VIEW OF PREVIOUS SOVIET PRONOUNCEMENTS LIKENING AIRCRAFT CARRIERS TO "FLOATING COFFINS" - THE LAYING-DOWN OF TWO 40,000 TON AIRCRAFT CARRIERS, THE "KIEV" AND THE "INSK", TO BE COMMISSIONED IN 1977 AND 1978 RESPECTIVELY (4)(#). ANOTHER IMPORTANT FACTOR IS THE IMPROVEMENT IN REMOTE LOGISTIC SUPPORT FOR THE SOVIET FLEET AS A RESULT OF THE EXTENSIVE GROWTH OF THE USSR'S MERCHANT NAVY (5).

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6. GENERAL DEPLOYMENT OF THE SOVIET FLEET: THE SOVIETS HAVE, OVER THE LAST FEW YEARS, DEVELOPED OPERATING PATTERNS FOR THEIR PRINCIPAL SURFACE COMBAT SHIPS WHICH PROVIDE FOR: (I) A SIZEABLE PERMANENT FORCE DEPLOYMENT IN THE MEDITERRANEAN; (II) READY FORCES NEAR THE IMPORTANT COASTAL AREAS OF THE USSR; (III) A FEW SHIPS FROM EACH FLEET AREA IN READINESS FOR CONTINGENCIES ABROAD; (IV) ABOUT FIVE COMBATANTS IN THE INDIAN OCEAN AND ONE OR TWO OFF WEST AFRICA; (V) A FEW ADDITIONAL SHIPS VISITING FOREIGN PORTS IN OTHER PARTS OF THE WORLD; AND (VI) SUFFICIENT SHIPS UNDERGOING OVERHAUL, REPAIR AND WORK-UP TO SUPPORT THE OPERATIONS.

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7. SHORTENING OF SEA LINES OF COMMUNICATION: THE MAIN EFFECT ON THE SOVIET UNION OF THE REOPENING OF THE SUEZ CANAL WILL BE THE SHORTENING OF THEIR LINES OF COMMUNICATION FROM THE BLACK SEA TO THE RED SEA, THE GULF AND THE NORTHERN INDIAN OCEAN. THERE WILL BE LITTLE EFFECT ON THE BALANCE IN THE SOUTHERN INDIAN OCEAN AS BOTH THE USSR AND THE UNITED STATES CAN AS EASILY DEPLOY NAVAL UNITS FROM THEIR EASTERN OR WESTERN SEABOARDS. THE SOVIET NAVY WILL BE ABLE TO DEPLOY SHIPS TO THE NORTHERN INDIAN OCEAN MUCH MORE QUICKLY THAN BEFORE. THE DISTANCE BETWEEN ODESSA AND ADEN VIA THE CANAL IS 2,500 MILES AS OPPOSED TO 11,500 MILES VIA THE CAPE. VLADIVOSTOK TO ADEN IS 7,700 MILES (ANNEX I(D) AND (E)). ASSUMING AN OVERALL AVERAGE SPEED OF 16 KNOTS, TRANSIT TIME FROM THE BLACK SEA (SEVASTOPOL) TO BERBERA, SOMALIA WOULD BE 8 DAYS AND TO DIEGO GARCIA 13 DAYS. TRANSIT TIMES FROM THE PACIFIC FLEET, WHICH NOW SUPPLIES THE UNITS FOR INDIAN OCEAN DEPLOYMENTS, ARE 17 DAYS TO BERBERA AND 14 DAYS TO DIEGO GARCIA.

(#) SEE ALSO PARAGRAPH 24 BELOW

OF COURSE WESTERN NAVIES COULD ALSO MAKE MAJOR TIME SAVINGS. FOR INSTANCE SHIPS LEAVING BRITAIN WOULD HALVE THE DISTANCE TO ADEN BY TRAVELLING VIA THE CANAL, AND THE UNITED STATES UNITS FROM THE SIXTH FLEET DEPLOYING TO THE GULF OF ADEN WOULD
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TRAVEL 1,500 MILES FROM THE EASTERN MEDITERRANEAN AS OPPOSED TO 10,500 ROUND THE CAPE. BUT NONE WILL WISH TO RELY TOO HEAVILY ON THE CANAL ROUTE, SUBJECT AS IT IS TO SUDDEN CLOSURE, EGYPTIAN DIPLOMATIC LEVERAGE AND A BOTTLE-NECK IN THE RED SEA.

8. FIVE-FOLD GROWTH OF THE SOVIET NAVAL PRESENCE IN THE INDIAN OCEAN SINCE 1968: SOVIET MERCHANT-SHIPING ACTIVITY IN THE OCEAN EXPERIENCED ITS FASTEST GROWTH BETWEEN 1954 AND 1964, AND INTEREST IN DEVELOPING FISHING INDUSTRIES IN THE AREA BECAME APPARENT IN THE EARLY 1960S (5). IT WAS NOT UNTIL MID-MARCH 1968, HOWEVER, THAT THE FIRST SOVIET WARSHIPS ENTERED THE SCENE, WHEN A CRUISER AND TWO DESTROYERS VISITED EIGHT COUNTRIES. A FURTHER DEPLOYMENT IN NOVEMBER 1968, MARKED THE BEGINNING OF AN ALMOST CONTINUOUS NAVAL PRESENCE, INCLUDING

SOME OF THE MOST MODERN SOVIET SHIPS (6). SHIP-DAYS IN THE INDIAN OCEAN HAVE RISEN FROM ABOUT 1,000 IN 1968, WHEN CONTINUOUS SOVIET DEPLOYMENT BEGAN, TO ABOUT 5,000 IN 1973, BUT STILL ACCOUNT FOR LESS THEN 15 PERCENT OF THE SHIP-DAYS SPENT AWAY FROM THE USSR. THE TYPICAL SOVIET FORCE THERE DURING 1973 INCLUDED ONE GUN-ARMED CRUISER OR MISSILE-EQUIPPED SHIP, TWO DESTROYERS OR DESTROYERS ESCORTS, ONE MINECRAFT, AN AMPHIBIOUS SHIP, A DIESEL SUBMARINE, AND SIX AUXILIARIES (7). UNDER ORDINARY CONDITIONS, OPERATIONS ARE LIMITED TO PORT VISITS AND EXTENDED PERIODS AT ANCHOR IN THE NORTHWESTERN PORTION OF THE OCEAN (8). MOST OF THESE SHIPS ARE DRAWN FROM THE PACIFIC. IN ADDITION TO THIS CONTINUOUS PRESENCE, THE SOVIETS ARE CAPABLE OF AUGMENTING THEIR NAVAL PRESENCE IN THE INDIAN OCEAN DURING PERIODS OF HEIGHTENED TENSION (9).

(B) SOVIET PENETRATION OF THE COUNTRIES BORDERING THE INDIAN OCEAN

9. THE INDIAN OCEAN, WHICH WILL BE LINKED DIRECTLY WITH THE MEDITERRANEAN THROUGH THE REOPENING OF THE SUEZ CANAL, CONTAINS THREE SEPARATE AREAS WHERE STRATEGIC INTERESTS AND THE UNSETTLED POLITICAL SITUATION PROVIDE PARTICULARLY FAVOURABLE GROUND FOR STRUGGLES FOR INFLUENCE. THESE ARE THE PERIAN GULF (BORDERED BY IRAN, IRAQ AND THE EMIRATES), THE RED SEA (BORDERED BY THE YEMENI ARAB REPUBLIC, THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN, SOMALIA AND ETHIOPIA) AND THE MOZAMBIQUE CHANNEL (BORDERED BY TANZANIA, MOZAMBIQUE, MADAGASCAR AND MAURITIUS).

SOVIET PENETRATION OF EACH OF THESE AREAS IS DISCUSSED

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IN GREATER DETAIL AT ANNEX. THE FIRST TWO ARE OF PARAMOUNT IMPORTANCE FROM TWO POINTS OF VIEW:

(A) ECONOMIC - THEY HOLD TWO THIRDS OF THE WORLD'S OIL RESERVES. EUROPE IS DEPENDENT ON THEM FOR 70PERCENT OF ITS OIL SUPPLIES. IN ADDITION, THEY CONTAIN PLENTIFUL RAW MATERIALE (COPPER FROM ZAMBIA AND ZAIRE, COBALT FROM ZAIRE, CHROMIUM FROM RHODESIA AND SOUTH AFRICA);
- THEY ARE THE SCENE OF HEAVY MARITIME TRAFFIC CONNECTED WITH THE TRANSPORT OF THESE COMMODITIES. OIL TRANSPORT ACCOUNTS FOR ALMOST 90PERCENT OF THE TOTAL. PORT FACILTIEIS ARE AVAILABLE AT THE TIP OF THE RED SEA, IN THE MOZAMBIQUE CHANNEL AND IN SOUTH AFRICA;

- THEY ARE ON THE NORTH-SOUTH AIR TRAFFIC LANES.

(B) STRATEGIC - BECAUSE OF THE POSSIBILITIES THEY OFFER:

- FOR CONTROL OF MARITIME TRAFFIC IN THE STRAITS OF HORMUZ, THE STRAITS OF BAB AL MANDEB, THE MOZAMBIQUE CHANNEL AND POSSIBLY THE CAPE-FAR EAST ROUTE:

- FOR CIVIL AND MILITARY TELECOMMUNICATIONS.
BOTH THE WEST AND THE RUSSIANS ARE WELL ENTRENCHED

IN THESE AREAS. THE WEST IS IN THE STRONGER POSITION IN THE PERSIAN GULF, WITH THE SITUATION IN THE RED SEA FAIRLY EVENLY BALANCED, ALTHOUGH MOSCOW IS HAVING TO CONTEND WITH CHINESE INFLUENCE. THE RUSSIANS, NONETHELESS, APPEAR TO HAVE BEEN MAKING CONSIDERABLE EFFORTS TO CONSOLIDATE AND, IF POSSIBLE, TO EXTEND THEIR FOOTHOLD AT THE SOUTHERN END OF THE RED SEA, PRESEMAPLY WITH AN EYE TO THE REOPENING OF THE SUEZ CANAL. THESE EFFORTS HAVE BEEN APPLIED, AS IN THE PAST, PARTICULARLY TO THE SOMALI DEMOCRATIC REPUBLIC AND TO THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN WHERE THE RUSSIANS WERE ALREADY ONE JUNP AHEAD, PARTICULARLY WITH REGARD TO THE NAVAL FACILITIES AT BERBERA AND ADEN.

THE MOZAMBIQUE CHANNEL AREA WHICH IS NOT A SOURCE OF ESSENTIAL COMMODITIES IS SUFFICIENTLY CLEAR TO MAKE INTERFERENCE WITH NAVIGATION IMPRACTICAL. WESTERN INFLUENCE IS STILL STRONG BUT SOME OF THE PRESEN REGIMES AE BEING CHALLENGED BY THE MAJORITY OF AFRICAN STATES, SUPPORTED BY THE USSR AND CHINA.

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EASTWARDS, OF COURSE, LIE INDIA AND BANGLADESH WHERE THE USSR HAS BEEN TRYING TO GAIN FOOTHOLDS.

(C) FISHING AGREEMENTS

10. THE RUSSIANS WILL CONTINUE TO PROMOTE FISHING AGREEMENTS (OF WHICH 14 HAVE ALREADY BEEN CONCLUDED WITH STATES OF THE INDIAN OCEAN BASIN) AND TO PRESS FOR THEUSE OF SHORE FACILITIES BY FISHING VESSELS IN THE HOPE THAT THESE FACILITIES WILL LATER BE EXTENDED TO THE NAVY (11).

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(D) THE LEAL STATUS OF THE CANAL

11. IN PRINCIPLE, THE SUEZ CANAL IS AN INTERNATIONAL WATERWAY OPEN TO VESSELS FROM ALL STATES, INCLUDING BELLIGERENT STATES, SUBJECT, HOWEVER, TO EGYPTIAN DEFENCE REQUIREMENTS (1888 CONSTANTINOPLE CONVENTION). IT IS POSSIBLE THAT THE STATUS OF THE CANAL MAY BE REVISED WHEN IT REOPENS BUT THE SOVIET UNION CAN BE EXPECTED TO INSIST ON THE PRINCIPLE OF FREEDOM OF NAVIGATION FOR WARSHIPS.

IT IS PERHAPS SIGNIFICANT THAT THE USSR ISSAYING VERY LITTLE ABOUT THE PROPOSAL, SUPPORTED BY INDIA (12) TO NEUTRALIZE THE INDIAN OCEAN THROUGH THE CREATION OF AN INDIAN OCEAN PEACE ZONE RESTRICTED TO BORDERING COUNTRIES, THERE IS NO DOUBT AT ALL THAT THE NEUTRALIZATION OF THE SUEZ CANAL AND ITS CLOSURE TO ALL NON-EGYPTIAN WARSHIPS WOULD SERIOUSLY HAMPER THE MOBILITY OF RUSSIAN FORCES IN THE INDIAN OCEAN.

CLEARLY THE RUSSIANS WOULD NOT BE HAPPY TO SEE A NAVAL RACE DEVELOPING WITH THE WEST, AND WHILE THEY WILL TRY TO MATCH US DEPLOYMENT THEY MAY WISH TO DISCUSS THE POSSIBILITIES OF ARMS LIMITATION IN THE OCEAN AREA. THEY MIGHT SEE ADVANTAGE IN A BAN ON THE INTRODUCTION OF NUCLEAR WEAPONS, RECKONING THAT THIS WOULD HIT THE WEST HARDER THAN THEMSELVES. BUT SO FAR THEY HAVE GIVEN LITTLE MORE THAN LUKEWARM SUPPORT TO PROPOSALS FOR AN INDIAN OCEAN PEACE ZONE, AND A COMPREHENSIVE ARMS LIMITATION AGREEMENT
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CANNOT BE EXPECTED IN THE NEAR FUTURE. IN CONTRAST, THEY ARE CONTINUING TO PRESS THEIR PROPOSALS FOR A COLLECTIVE SECURITY PACT IN SOUTH EAST ASIA.

B. ECONOMIC FACTORS

12. IN 1966, THE OIL TRADE ACCOUNTED FOR NEARLY THREE-QUARTERS (176 MILLION TONS) OF THE CANAL'S TRAFFIC (242 MILLION TONS) (AND REVENUE). AT THE TIME SOME 80 PERCENT OF THE WORLD'S TANKERS WERE ABLE TO USE THE CANAL AT LEAST IN BALLAST. THE NEED TO USE THE CAPE ROUTE CONTRIBUTED TO A MARKED SHIFT IN TANKER BUILDING POLICY TOWARDS VERY LARGE CARRIERS. AS A RESULT, BY JUNE 1974 ONLY ABOUT ONE-FIFTH OF THE WORLD TANKER FLEET COULD, WHEN LOADED (UP TO 50 PERCENT IF BALLAST PASSAGES ARE COUNTED), USE THE CANAL AT ITS PRE-1967 CONDITION. IT IS PROBABLE THAT CONSIDERATION OF TANKER SIZE WILL CONTINUE TO RESTRICT THE CANAL'S ABILITY TO CARRY OIL TRAFFIC AT LEAST UNTIL STAGE 2 OF ENLARGEMENT HAS BEEN COMPLETED IN 1980. (THERE ARE HOWEVER MANY STATISTICAL UNCERTAINTIES.) AN ADDITIONAL FACTOR MILITATING AGAINST THE USE OF THE CANAL FOR OIL TRADE IS THE EXPANSION OF PIPELINE FACILITIES TO THE MEDITERRANEAN. THE SUEZ TO ALEXANDRIA PIPELINE (SUMED) WHICH COULD CARRY UP TO 80 MILLION TONS PER ANNUM WITHIN 2 OR 3 YEARS OF ITS COMPLETION (NOW ANTICIPATED FOR 1977), MAY PROVE TO BE A COMPETITOR WITH THE CANAL, ALTHOUGH THE EGYPTIANS HOPE IT WILL ATTRACT BUSINESS ON THE GROUNDS THAT SHIPS WHICH ARE TOO LARGE TO TRANSIT FULLY LOADED WILL DO SO PARTIALLY LOADED AND THEN TOP UP FROM THE PIPELINE.

13. THERE ARE SOME FACTORS WHICH SHOULD MORE DEFINITELY ENCOURAGE THE USE OF THE CANAL FOR OIL TRADE. FIRST, THERE IS THE EXPECTED RISE IN GULF OIL TRADE TO EUROPE, NOTWITHSTANDING CONSERVATION MEASURES AND SLOWER ECONOMIC GROWTH, FROM 190 MILLION TONS IN 1966 TO ABOUT 700 MILLION TONS IN 1990. (THE EEC ALONE IS PLANNING TO IMPORT 640 MILLION TONS IN 1980, MOST OF WHICH WILL COME FROM THE GULF). SECONDLY, UNITED STATES IMPORTS OF 350 MILLION TONS PER ANNUM, OF WHICH ABOUT 50 MILLION TONS COME FROM ARAB PRODUCERS, MAY WELL INCREASE BY A FURTHER 300 MILLION TO 650 MILLION TONS PER ANNUM, DEPENDING ON THE SUCCESS OF CONSERVATION AND SUBSTITUTION MEASURES. THE MAJOR PART OF THIS INCREASE WOULD HAVE TO COME FROM THE GULF - MAINLY FROM SAUDI ARABIA; AND, BECAUSE THERE SECRET

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ARE NO DEEP WATER PORTS ON THE UNITED STATES EASTERN SEABOARD TO BE ABLE TO TRANSIT SUEZ. (SOME WOULD GO IN BIG SHIPS FOR TRANSHIPMENT IN THE CARIBBEAN.) THIRDLY, BY 1980 THE GULF PRODUCERS MAY, ON A RECENT EEC ESTIMATE HAVE REFINERY CAPACITY OF 283 MILLION TONS. A SIGNIFICANT PROPORTION OF THE OIL TRADE FROM THE GULF WILL THEREFORE BE REFINED PRODUCTS, AND SO TRANSPORTED IN SMALLER SHIPS THAN IF IT WERE CRUDE. THIS, OF COURSE, WOULD BENEFIT THOSE COUNTRIES WITH LARGE TANKER FLEETS IN THE SMALL AND MEDIUM SIZE RANGES.

14. BY THE END OF 1975, A LARGE NUMBER OF BULK CARRIERS AND ORE SHIPS AND VIRTUALLY ALL THE ORDINARY CARGO AND CONTAINER SHIPS IN SERVICE WILL BE ABLE TO USE THE CANAL. HOWEVER, THE LARGER CONTAINER SHIPS FLYING THE FAR EAST TRADE ROUTES WILL ONLY BE ABLE TO TRANSHIP PARTIALLY LOADED. BEARING IN MIND THE EXPANSION OF DRY CARGO SHIPPING SINCE 1966 (13), CANAL TRAFFIC IS LIKELY TO REACH AND EXCEED THAT YEAR'S LEVEL OF 66 MILLION TONS IN BOTH DIRECTIONS, BUT IT IS SCARCELY POSSIBLE TO SUGGEST A FIGURE AT PRESENT.

SOVIET ECONOMIC PENETRATION IN THE AREA

15. IN VIEW OF THE DISTANCE BETWEEN THE EUROPEAN PARTS OF THE SOVIET UNION AND ITS FRONTIERS IN NORTH-EAST ASIA, INTRA-SOVIET COMMERCIAL EXCHANGES, MAINLY THOSE OF HEAVY GOODS, WILL BE CONSIDERABLY CHEAPER BY THE USE OF SHIPS THAN BY RAILWAYS THROUGH SIBERIA. IN SPITE OF ALL TECHNOLOGICAL ADVANCES, THE SIBERIAN SEA ROUTE CAN PROBABLY BE USED ONLY FOR SIX MONTHS EVERY YEAR, AND THIS ONLY WITH DIFFICULTY.

16. THUS, A DIRECT ROUTE FROM THE BLACK SEA VIA THE SUEZ CANAL AND EAST ASIA TO VLADIVOSTOK AND THE NW PORTS IN SIBERIA WOULD, FOR INTERNAL SUPPLIES AND TRADE WITH INDIA AND EAST ASIA, LEAD TO SAVINGS IN TIME AND SHIPS, WHICH ALTHOUGH DIFFICULT TO QUANTIFY IN MONETARY TERMS, MAY AMOUNT TO SEVERAL MILLION DOLLARS EVERY YEAR. IN ADDITION, THE SOVIET UNION IS IN THE HAPPY POSITION THAT THE MAJORITY OF ITS SHIPS AND TANKERS CAN PASS

THE SUEZ CANAL BECAUSE OF THEIR RELATIVELY SMALL SIZE (14).

17. THE CONTRIBUTION TO THE SOVIET ECONOMY OF FOREIGN
TRADE AMOUNTS TO ONLY ABOUT 7-8 PERCENT OF HER (ESTIMATED)
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GNP, AND IN 1967 ONLY 5 PERCENT OF THIS TRADE USED THE CANAL.
THE GREATER PART OF SOVIET IMPORTS THROUGH THE CANAL WERE OF
FOODSTUFF AND RAW MATERIALS, SUCH AS RUBBER, TIN, WOOL AND WHEAT
FROM THE FAR EAST AND ASUTRALASIA. MOST SOVIT EXPORTS TO THE
AREA WERE ALSO OF RAW MATERIALS, OIL AND SOME MANUFACTURES.
BUT THE SUM OF SOVIET FOREIGN TRADING VENTURES IS VERY SMALL
BY MOST WESTERN STANDARDS. ECONOMIC ASSISTANCE TO THE COUNTRIES
OF THE AREA IS SHOWN IN ANNEX II (15).

III. ASSESSMENT --

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A. POLITICAL AND STRATEGIC

18. THE REOPENING OF THE SUEZ CANAL WOULD GIVE THE USSR
ADDED NAVAL AND POLITICAL FLEXIBILITY:
(I) IT WOULD IMPROVE THE SOVIET UNION'S NAVAL FLEXIBILITY
BY SUBSTANTIALLY SHORTENING THE TRANSIT TIME TO THE
WESTERN INDIAN OCEAN FROM ITS WESTERN FLEET OPERATING
AREAS. THE REDUCTION IN TRANSIT TME TO THE INDIAN
OCEAN WOULD NOT BE GREAT ENOUGH IN ITSELF TO CAUSE
A SIGNIFICANT INCREASE IN THE NUMBER OF SHIP-DAYS
ON STATION IN THE INDIAN OCEAN. IT WOULD, HOWEVER,
REDUCE THE LOGISTICS PROBLEM OF SUPPORTING AN INDIAN

OCEAN NAVAL PRESENCE SINCE UNITS DEPLOYED THERE COULD BE SUPPLIED, AT SOME SAVINGS, BY SUPPORT SHIPS COMING THROUGH THE CANAL;

(II) EASIER ACCESS TO THE INDIAN OCEAN FOR THE SOVIET MERCHANT AND NAVAL FLEETS COULD ENABLE MOSCOW TO PUSH THE TENSION AREAS SOUTHWARDS. THE RUSSIAN NAVY COULD DIVIDE ITS FORCES MORE EASILY BETWEEN THE MEDITERRANEAN FLEET (SOME 50 UNITS), AND THE 20 OR SO UNITS OF THE INDIAN OCEAN FLEET, WHICH IS IN CONTACT WITH THE FAR EAST FLEET. A RESUMPTION OF MILITARY AND MERCHANT TRAFFIC THROUGH THE CANAL WOULD HELP TO TAKE PRESSURE OFF THE TRANS-

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SIBERIAN RAILWAY WHICH IS VULNERABLE AND WORKING AT SATURATION POINT;

(III) THE GREATER NAVAL FLEXIBILITY WOULD HELP THE SOVIETS TAKE ADVANTAGE OF ANY CHANGING POLITICAL SITUATION IN THE LITTORAL STATES OF THE REGION. IN FUTURE CRISES THEY COULD MAKE QUICKER AND LARGER DELIVERIES OF MILITARY AID AND AUGMENT THEIR NAVAL PRESENCE IN THE WESTERN INDIAN OCEAN ALSO MORE QUICKLY THAN NOW;

(IV) AT PRESENT, US FORCES IN THE WESTERN PACIFIC CAN DEPLOY TO THE AREA MORE QUICKLY THAN CAN THE SOVIET FROM VLADIVOSTOK. WITH THE CANAL OPEN BOTH THE US AND THE SOVIETS COULD SEND REINFORCEMENTS FROM THE MEDITERRANEAN. SOME ADVANTAGES WOULD ACCRUE TO THE SOVIETS IN DEPLOYING FORCES FROM THE MEDITERRANEAN:

(A) THE SOVIETS COULD REPLACE SURFACE SHIPS DRAWN FROM THE MEDITERRANEAN MORE QUICKLY THAN COULD THE US;

(B) ALL MAJOR SOVIET SURFACE COMBATANTS COULD TRANSIT THE CANAL WHEREAS 12 OF THE 14 US ATTACK AIRCRAFT CARRIERS COULD NOT.

19. FREEDOM OF PASSAGE FOR ISRAELI SHIPS REMAINS A MAJOR

ISSUE. OTHER MARITIME POWERS - INCLUDING THE SOVIET UNION - WILL HAVE GREATER STRATEGIC FLEXIBILITY WHEN THE CANAL IS OPEN BUT NONE WILL WISH TO RELY TOO HEAVILY ON THE CANAL ROUTE WHICH IS SUBJECT TO EASY CLOSURE IN A CRISIS. THE USSR WOULD NOT WISH TO BE CAUGHT WITH A SUBSTANTIAL PORTION OF AVAILABLE NAVAL UNITS AT THE WRONG END OF A BLOCKED CANAL.

20. WHILE THE REOPENING OF THE CANAL WILL GIVE THE SOVIET UNION GREATER SCOPE FOR ACTION, WHAT IT ACTUALLY DOES WILL DEPEND ON ITS ASSESSMENT OF THE ADVANTAGES OF EXTENDING ITS POLITICAL INFLUENCE AND THE RISKS INVOLVED.

(I) POLITICAL OPPORTUNITIES

THE SOVIETS WOULD LIKE TO PLAY A GREATER ROLE IN THE INDIAN OCEAN. THEY PROBABLY EXPECT CONSIDERABLE POLITICAL CHANGE OVER THE NEXT DECADE IN THE PERSIAN GULF, SAUDI ARABIA, AND THE HORN OF AFRICA. THEY WOULD LIKE TO BE IN A POSITION TO INFLUENCE

AND PROFIT FROM SUCH CHANGES. A NAVAL PRESENCE IS A USEFUL
ELEMENT IN A COMBINED APPROACH WHICH UTILIZED POLITICAL, ECONOMIC,
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SUBVERSIVE, AND MILITARY AID INSTRUMENTS AS WELL. IT WOULD BE A
VISIBLE REMINDER THAT THE USSR IS CAPABLE OF PROTECTING ITS OWN
INTERESTS AND THOSE OF ITS INDIAN OCEAN FRIENDS. THE SOVIETS
PERCEIVE THAT THIS CAPABILITY WILL ENHANCE SOVIET PRESTIGE AND
PLACE THE USSR IN A STRONGER POSITION TO COMPETE FOR POLITICAL
INFLUENCE AMONG INDIAN OCEAN NATIONS.

(II) POLITICAL RISKS

IN CONTEMPLATING AN EXPANDED NAVAL PRESENCE, THE
SOVIETS WILL BE CONSCIOUS OF A NUMBER OF RISKS. IN SO FAR AS
THEY USE LOCAL SHORE FACILITIES (SEE BELOW), THEY RISK SUDDEN
LIMITATIONS OR EVEN EJECTIONS BY THE HOST GOVERNMENT. IN
LIGHT OF THEIR EXPERIENCE IN EGYPT AND SUDAN, THEY RECOGNIZE
THAT SOMALIA, THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN, AND
IRAQ COULD BE TRANSFORMED INTO POLITICALLY EMBARRASSING LOSSES
BY VIRTUE OF A CHANGE IN POLICY OR EVEN GOVERNMENT. THE USSR
WILL BE WARY OF EXCESSIVE INVOLVEMENT WITH ONE PARTY TO A REGIONAL
RIVALRY LEST IT COMPROMISE ITS PROSPECTS WITH THE OTHER PARTY.
HAVING REPRESENTED SOVIET POLICY AND PRESENCE IN THE AREAS
AIMED AT THE EXCLUSION OF "US IMPERIALISM", THE USSR MUST MANAGE
ITS OWN PRESENCE WITH SOME CARE, LEST IT BE INTERPRETED AS THE
PRESENCE THERE OF A NEW IMPERIAL POWER.

21. FOR REASONS EXPLAINED ABOVE, IF THE SOVIETS WOULD
DECIDE TO INCREASE SUBSTANTIALLY THE NUMBER OF PRINCIPAL SURFACE
COMBATANTS THEY DEPLOY ON A CONTINUING BASIS IN THE INDIAN
OCEAN, THEY WOULD HAVE TO DRAW DOWN NAVAL FORCES NOW ALLOCATED
TO OTHER TASKS. OVER THE LONGER TERM, HOWEVER, THE GREATER
CAPABILITY OF THE NEW SHIPS WILL, IN EFFECT, INCREASE THE
NUMBER OF SHIPS AVAILABLE FOR DISTANT OPERATIONS. EVEN WHEN
THE CANAL REOPENS, THE BULK OF THE SOVIET NAVAL PRESENCE IN THE
INDIAN OCEAN AS A WHOLE WILL CONTINUE TO BE DRAWN FROM THE
PACIFIC FLEET. THE BLACK SEA IS ALREADY WELL COMMITTED IN
PROVIDING VESSELS FOR THE MEDITERRANEAN SQUADRON.

22. WHILE IT IS NOT POSSIBLE TO SEE ANY DIRECT RELATIONSHIP
BETWEEN THE UNITED STATES AND SOVIET NAVAL FORCE LEVELS IN THE
INDIAN OCEAN, IN TIME OF POLITICAL TENSION THE RUSSIANS WILL
REACT, AS IN THE PAST, TO ANY LOCAL INCREASE BY THE UNITED STATES
IN ITS FORCE LEVEL. THEY MAY ALSO REACT IN SIMILAR CIRCUMSTANCES
TO SIGNIFICANT UNITED KINGDOM, FRENCH OR OTHER NAVAL DEPLOYMENTS
IN THE AREA.

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23. AN INCREASE IN THE SOVIET NAVAL PRESENCE WILL ALSO
RAISE THE QUESTION OF PORT FACILITIES FOR THE FLEET. THE
SOVIET NAVY HAS TRADITIONALLY TAKEN CARE TO AVOID DEPENDENCE

ON FOREIGN FACILITIES; IN THE INDIAN OCEAN IT MAKES SUBSTANTIAL USE OF BERBERA FOR REPLENISHMENT AND MINOR REPAIRS- BUT LOSS OF ITS RIGHTS THERE WOULD BE LITTLE MORE THAN AN INCONVENIENCE. IF THE SUEZ CANAL WERE REOPENED, LOGISTIC REQUIREMENTS WOULD BE EASED, AND THE VALUE OF SHORE FACILITIES WOULD ON THIS ACCOUNT DELCINE. ON THE OTHER HAND, ANY INCREASE IN THE SOVIET NAVAL PRESENCE IN THE INDIAN OCEAN COULD WORK IN THE OPPOSITE DIRECTION. THE SOVIETS PROBABLY HOPE TO INCREASE THEIR CAPABILITIES FOR AIR RECONNAISSANCE (SEE BELOW) IN THE INDIAN OCEAN, AND THIS WOULD INVOLVE A GREATER NEED FOR ACCESS TO SHORE FACILITIES. THESE FACTORSSUGGEST THAT THE USSR WILL BE INTERESTED IN IMPROVED SHORE FACILITIES IN THE LITTORAL STATES, BUT THAT THEIR AVAILABILITY WILL NOT BE A CRUCIALFACTOR IN MOSCOW'S BROAD NAVAL POLICY IN THE REGION.SOMALIA AND THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN WILL CONTINUE TO PRESENT THE BEST OPPORTUNITIES FOR LIMITED USE OF SHORE FACILITIES AND BOTH OF THOSE GOVERNEMTNS MAY ACCEPT SOME INCREASED SOVIET PRESENCE.THE SOVIETS PROBABLY WILL ALSO MAKE MORE CALLS TO THE PORT THEY HELPED BUILD AT UMM QASR IN IRAQ, BUT ITS LOCATION AT THE HEAD OF THE NARROW PERSIAN GULF ARGUES AGANST MAJOR SOVIET USE OF IT.MOSCOW IS UNLIKELY TO SUCCEED IN ITS EFFORTS TO ACQUIRE NAVAL FACILITIES IN INDIA. SOVIET SHIPS WILL PROBABLY INCREASE THE NUMBER OF PORT CALLS AT THOSE PLACES THEY HAVE USED IN THE PAST. IN THE MAJORITY OF THESE COUNTRIES THE HOST NATION WILL SEEK TO BALANCE SOVIET AND WESTERN PORT USE, AND THIS IS NOT LIKELY TO CHANGE WITH THE OPENING OF THE CANAL.

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24. THE OPERATIONAL CREDIBILITY OF EVEN THE PRESENT FORCE IS LIMITED BUT WOULD BE IMPROVED BY THE SUPPORT OF RECONNAISSANCE AIRCRAFT FROM THE USSR (WHICH IS DEPENDENT ON OVERFLYING RIGHTS) OR ACCESS BY LONG-RANGE AIRCRAFT TO AIRFIELDS ON THE ARABIAN

SEA. IF THE RUSSIANS WERE ABLE TO USE NEW AIRFIELD FACILITIES IN SOMALIA FOR LONG-RANGE RECONNAISSANCE AIRCRAFT, OR IF THEY GAINED ACCESS TO SIMILAR FACILITIES IN THE PDRY, THEIR NAVAL EFFECTIVENESS COULD BE GREATLY IMPROVED. REPORTS INDICATE THAT IMPROVEMENTS ARE IN HAND TO THE RUNWAYS AT TWO AIRFIELDS IN SOMALIA WHICH WOULD ALLOW FOR THE OPERATIONAL OF BEARS. ANNEX ID SHOWS THE COVERAGE OF THE OCEAN AREAS THEY COULD ACHIEVE FROM ALL THESE BASES. IF THIS LATEST REPORT IS CONFIRMED, IT WILL GREATLY ENHANCE THEIR OPERATIONAL FLEXIBILITY AND WOULD PERMIT THEM TO SURVEY CONTINUOUSLY ALL THE MAIN SHIPPING ROUTES OF THE WORLD, PARTICULARLY THE VITAL OIL ROUTES FROM THE MIDDLE EAST, WITHOUT ENCOUNTERING PROBLEMS OF OVERFLYING RIGHTS. IN THE LONGER TERM A NEW DIMENSION WOULD BE ADDED TO SOVIET NAVAL OPERATIONS IN THE INDIAN OCEAN IF THE SOVIET AIRCRAFT CARRIER NOW BEING BUILT WERE TO BE DEPLOYED THERE, EVEN WITHOUT VTOL OR VSTOL AIRCRAFT (SEE ANNEX II(4)).

25. THE REOPENING OF THE CANAL WILL ALSO BE AN ASSET TO THE SOVIET UNION VIS-A-VIS THE FAR EAST AND PARTICULARLY CHINA. IT IS WORTH REMEMBERING, FOR INSTANCE, THAT THE CLOSING OF THE CANAL LED
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TO INCREASED FREIGHT RATES FOR THE EUROPEAN COUNTRIES AND THEREBY MADE IT EASIER FOR ASIAN COUNTRIES TO GET A COMMERCIAL FOOTING IN THE AREA. THE FORMATION OF A SINO-TANZANIAN SHIPPING COMPANY IS SIGNIFICANT IN THIS RESPECT. MOSCOW WOULD ALSO FIND IT EASIER TO SQUARE UP POLITICALLY TO THE CHINESE IN CAPITALS WHERE THE TWO POWERS ARE AT PRESENT COMPETING FOR INFLUENCE.

B. ECONOMIC

26. IT IS DIFFICULT TO FORECAST WHAT WILL BE THE EFFECT OF THE REOPENING OF THE CANAL ON THE PATTERN OF DEMAND FOR WORLD SHIPPING AND ON SHIPPING COSTS. SHORTER JOURNEYS, WITH THE CONSEQUENT GREATER UTILISATION OF A SHIP, WOULD SUGGEST THAT THERE MAY BE A SURPLUS OF SHIPPING. CURRENTLY A SUBSTANTIAL VOLUME OF ORDERS FOR MERCHANT VESSELS IS BEING POSTPONED OR IS LIABLE TO CANCELLATION. THIS LARGELY REFLECTS THE SLUMP IN OIL TANKER FREIGHT RATES, PARTICULARLY FOR SUPER-TANKERS, IN THE WAKE OF THE ENERGY CRISIS AND THE REDUCTION OF DEMAND. AN ADDITIONAL SURPLUS (EVEN OF A SMALL PERCENTAGE OF TONNAGE) CONSEQUENT UPON THE REOPENING, WOULD EXACERBATE THE SITUATION.

27. THE IMMEDIATE-AND POSSIBLY MEDIUM TERM- PROSPECTS FOR THE CANAL OF RECAPTURING THE SAME HIGH PROPORTION OF THE WORLD'S OIL TRADE AS BEFORE ARE NOT BRIGHT FOR THE FOLLOWING REASONS:

-VERY LOW FREIGHT RATES AND THE NEED TO KEEP THE VLCCS BUSY MAKE IT ECONOMICALLY ATTRACTIVE TO USE THE CAPE ROUTE FOR DELIVERIES TO THE CARIBBEAN AREA AND NORTH WEST EUROPE;

-THE INITIAL PROBLEM OF TANKER SIZE LIMITS THE USE OF THE

CANAL TO FULLY LADEN SHIPS OF LESS THAN 50,000DWT;

-SHIPOWNERS' AND INSURERS' PRESENT NERVOUSNESS ABOUT THE STABILITY OF THE AREA.

28. AS FAR AS DRY CARGOES ARE CONCERNED, SINCE THE CLOSURE OF THE CANAL AN AVERAGE SURCHARGE OF 25 PERCENT OF 1967 FREIGHT TARIFFS HAS BEEN APPLIED TO THESE DRY CARGOES WHICH WOULD FORMERLY HAVE USED THE CANAL. THIS SHOULD BE REMOVED WITH THE REOPENING OF THE CANAL, WHICH CAN BE USED BY A LARGE PERCENTAGE OF EXISTING
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DRY BULK CARRIERS, CARGO-SHIPS AND CONTAINER VESSELS. THERE ARE IN ADDITION CONSIDERABLE SAVINGS IN DISTANCE WHICH COULD FURTHER REDUCE COSTS IN PARTICULAR FOR DRY CARGO SHIPPING STARTING FROM OR BOUND FOR MEDITERRANEAN PORTS.

ON THE OTHER HAND, FOR SHIPPING FROM FURTHER AFIELD (FOR INSTANCE NORTH WEST EUROPE, OR US EASTERN SEABOARD) SAVING IN COSTS MIGHT BE OFFSET, TO SOME DEGREE, BY TIME SPENT IN THE CANAL, INSURANCE PREMIUM FOR PASSAGE THROUGH A CONGESTED SHIPPING LANE AND CANAL DUES.

29. EGYPT STANDS TO BENEFIT FROM THE RE-ESTABLISHMENT OF HER POSITION ON WORLD TRADE ROUTES AND FROM THE RE-CONSTRUCTION OF THE CANAL TOWNS. HOWEVER THIS WILL BE A GRADUAL PROCESS WHICH WILL CULMINATE WITH THE COMPLETION OF STAGES I AND II OF THE CANAL WIDENING AND DEEPENING, AND THE COMPLETE REHABILITATION OF THE CANAL ZONE.

30. THE BENEFIT TO BE EXPECTED BY THE COUNTRIES ON THE RED SEA AND THE EASTERN COAST OF AFRICA IS DIFFICULT TO ASSESS BUT WILL UNDOUBTEDLY BE CONSIDERABLE, IN PARTICULAR AS REGARDS THEIR OWN DEVELOPMENT WHICH IS AN URGENT NECESSITY AS THESE COUNTRIES HAVE NOT RECOVERED ECONOMICALLY FROM THE CLOSURE OF THE CANAL.

31. IN VIEW OF THE RELATIVELY SMALL AMOUNT OF TRADE CONDUCTED WITH COUNTRIES SOUTH OF SUEZ, THE IMMEDIATE ECONOMIC EFFECT ON THE USSR OF THE RE-OPENING OF THE SUEZ CANAL MAY BE LIMITED. ON THE OTHER HAND, THE RELIEF OF PRESSURE ON THE TRANS-SIBERIAN RAILWAY SYSTEM IS LIKELY TO ALLEVIATE EXISTING INTERNAL TRANSPORT DIFFICULTIES AND TO CREATE EXTRA CARRYING CAPACITY WHICH COULD BE USED FOR PURPOSES OTHER THAN COMMERCIAL OR ECONOMIC.

32. IN THE LONGER RUN, THE SOVIET UNION AND HER COMECON PARTNERS COULD DERIVE SUBSTANTIAL BENEFITS FROM THE IMPROVED COMMERCIAL OPPORTUNITIES RESULTING FROM THE SHORTER TRADE ROUTE BETWEEN THE BLACK SEA, THE GULF AND THE NORTH WESTERN PART OF THE INDIAN OCEAN. EASIER ACCESS TO OIL OF THE GULF STATES MAY BE OF PARTICULAR IMPORTANCE TO THOSE EAST EUROPEAN COUNTRIES WHO UNTIL NOW MAINLY RELY ON SOVIET PETROLEUM DELIVERIES. LAST, BUT NOT LEAST BECAUSE OF ITS POLITICAL IMPLICATIONS, THE FLOW OF SOVIET

ECONOMIC AND TECHNICAL ASSISTANCE TO INDIA, THE PDRY, SOMALIA,
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IRAQ AND THE YAR AND TO EAST AFRICA GENERALLY, WILL BECOME EASIER.

IV. CONCLUSIONS.

33. SOVIET POLICY IN THE INDIAN OCEAN AREA, AS ELSEWHERE, SEEKS TO ENHANCE SOVIET INFLUENCE AT THE EXPENSE OF WESTERN INTERESTS AND TO STOP THE SPREAD OF CHINESE INFLUENCE. IT IS ASSERTIVE IN ITS ATTEMPT TO DEMONSTRATE THE POSITION OF THE SOVIET UNION AS A SUPER-POWER AND TO DERIVE POLITICAL ADVANTAGES. IT IS ALSO EXPERIMENTAL IN THE SENSE THAT IT IS INTENDED TO PROBE WESTERN REACTIONS, AND OPPORTUNISTIC. ON THE OTHER HAND, THE SOVIET UNION WISHES TO AVOID ANY MILITARY CONFRONTATION WITH THE UNITED STATES AND ANY DAMAGE TO THE CURRENT POLICY OF DETENTE WITH THE WEST. EFFORTS TO EXTEND SOVIET INFLUENCE IN THE LITTORAL STATES OF THE INDIAN OCEAN ARE ALSO SUBJECT TO HAZARDS ARISING FROM THE INSTABILITY OF SOME COUNTRIES AND THE PRESSURES BE LOCAL OF LOCAL NATIONALISM.

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34. THE REOPENING OF THE CANAL WILL GIVE SOVIET NAVAL POWER ADDED FLEXIBILITY AND WILL SOMEWHAT INCREASE THE SCOPE FOR POLITICAL AND ECONOMIC PENETRATION BUT IT WILL CAUSE NO SUBSTANTIAL SHIFT IN ADVANTAGE TO EITHER EAST OR WEST. THE COMMERCIAL ADVANTAGES TO THE EASTERN BLOC WILL NOT BE GREAT ALTHOUGH THERE WILL BE SOME NEW OPPORTUNITIES. THERE WILL BE SOME ADVANTAGES TO WESTERN TRADING NATIONS, BUT THE SHIPPING COSTS SAVED BY THE REOPENING OF THE CANAL MAY NOT BE OUTSIDE THE NORMAL VARIATION OF FREIGHT CHARGES.

35. THE ADVANTAGES FOR THE SHIPPING OF DRY CARGO AND, TO SOME EXTENT OIL, WHICH WOULD COME IN THE WAKE OF A REOPENING OF THE CANAL WILL PROMOTE ECONOMIC AND COMMERCIAL RELATIONS, A DEVELOPMENT WHICH WILL BE IN THE INTERESTS OF THE COUNTRIES OF THE AREA AND THE MEDITERRANEAN BASIN AND OF THOSE WHO DO MOST OF THEIR TRADE WITH THE INDIAN OCEAN STATES AND AUSTRALIA. IT SHOULD ALSO IMPROVE WESTERN EUROPE'S COMPETITIVENESS VIS-A-VIS JAPAN ON THE INDIAN AND ASIAN MARKETS. NEVERTHELESS, THE WESTERN COUNTRIES WILL THINK TWICE BEFORE INTRODUCING HASTY AND EXTENSIVE MODIFICATIONS TO THE STRUCTURE OF THEIR OIL FLEETS AND MAKING THEMSELVES DEPENDENT ON A MARITIME ROUTE AND OIL PIPELINES WHICH IN THE PAST HAVE PROVED MOST VULNERABLE TO POLITICAL DEVELOPMENTS IN THE MIDDLE EAST. THEY WILL, OF COURSE, ADJUST TO CHANGES IN THE PATTERN OF WORLD PETROLEUM TRADE, FOR INSTANCE BY INCREASING
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THE OVERALL TONNAGE OF MEDIUM-SIZE PETROLEUM PRODUCT CARRIERS AND TANKERS, BUT WITHOUT LOSING SIGHT OF THE NEED TO KEEP THE SUPER-TANKERS IN SERVICE. SOME OF THE LATTER (THOSE OF MORE THAN 270,000 TONS) WILL CONTINUE TO GO ROUND THE CAPE WHILE THE SMALLER ONES, ALTHOUGH THEY WILL BE ABLE TO TRANSIT THE CANAL AFTER 1980, WILL RETAIN AN ALTERNATIVE ROUTE WHICH COULD STILL PROVE AN ECONOMIC PROPOSITION IF TRAFFIC WERE AGAIN DISRUPTED. FROM THE ECONOMIC POINT OF VIEW, IT IS THE SOVIET UNION WHICH WILL HAVE MOST TO GAIN FROM THE SHORTENED SEA ROUTES TO THE RED SEA, THE PERSIAN GULF, INDIA AND INDONESIA.

36. ALL NAVAL POWERS WILL BENEFIT FROM THE INCREASED FLEXIBILITY OF DEPLOYMENT. THIS WILL ASSIST SOVIET EFFORTS TO INFLUENCE EVENTS IN THE INDIAN OCEAN BASIN, BUT NOT TO AN EXTENT, GIVEN THE ADDED FLEXIBILITY OF WESTERN POWERS' DEPLOYMENT, WHICH WILL RADICALLY ALTER THE BALANCE OF INFLUENCE IN THOSE AREAS.

37. IN WARTIME, EITHER SIDE COULD EASILY MAKE THE CANAL UNUSABLE. FROM THE STRATEGIC POINT OF VIEW IN TIME OF WAR, THEREFORE, THE REOPENING OF THE CANAL HAS NO IMPLICATIONS WHATSOEVER.

38. SINCE THE SOVIET PENETRATION OF THE INDIAN OCEAN IS GOVERNED BY MAJOR GEO-STRATEGICAL CONSIDERATIONS, NAMELY TO THREATEN NATO'S LINES OF COMMUNICATION, KEEP AN EYE ON CHINA AND CONFIRM THE USSR'S STATUS AS A SUPER-POWER WITH WORLD INTERESTS, IT WILL BE PURSUED IN ANY CASE. THUS, WHETHER OR NOT THE SUEZ CANAL IS REOPENED, THE SOVIET UNION IS LIKELY TO INCREASE ITS CONTINUOUS DEPLOYMENTS IN THE INDIAN OCEAN. THIS INCREASE IS LIKELY TO BE GRADUAL, LEADING TO A CONTINUOUSLY DEPLOYED FORCE OF 8-12 SURFACE COMBATANTS IN 1976 OR 1977. SUCH A MEASURED APPROACH WOULD ENABLE THE USSR TO GAUGE THE REACTIONS OF THE LITTORAL STATES, WOULD ALLOW FOR A CONTINUOUS EVALUATION OF WESTERN RESPONSES, AND WOULD RUN THE LEAST RISK OF GENERATING A WESTERN RESPONSE, IN BOTH MILITARY AND POLITICAL TERMS. IT IS NOT THE SOVIETS' INTENTION TO STEP UP ANY KIND OF NAVAL ISSUE WITH THE WEST. IT WOULD BE IN

KEEPING WITH THEIR GENERAL NAVAL POLICY FOR THEM TO SEE THE EASIER
DEPLOYMENT OF THEIR NAVAL POWER AS GIVING THEM AN ADDITIONAL
CAPABILITY TO INFLUENCE INTERNAL POLICIES OF SOME LITTORAL STATES.
THEY WOULD CONTINUE TO BE INHIBITED BY THE THREAT OF WESTERN REACTION
FROM USING NAVAL POWER TO INTERFERE DIRECTLY IN THE LITTORAL
STATES, BUT IF AT ANY STAGE THEY FELT THT THEY COULD ACT QUICKLY
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AND DECISIVELY IN A CHANGING SITUTION WITHOUT PROVOKING WESTERN
REACTION THEY WOULD BE ABLE TO DO SO. END TEXT. BRUCE

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